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April 8, 2010

The Honorable Steve Ogden
Texas Senate, District 5
State Capitol, GE.4
Austin, Texas 78701

The Honorable John Carona
Texas Senate, District 16
State Capitol, 4E.2
Austin, Texas 78701

Dear Senators Ogden and Carona,

One of the greatest challenges facing the State of Texas is developing funding to meet our growing transportation needs. Since I became Lieutenant Governor in 2003, we have more than doubled the annual amount of funding available to the Texas Department of Transportation (TxDOT). I want to ensure that the \$67 billion we have worked so hard to appropriate to TxDOT since 2003 has been spent in a fiscally responsible and prioritized manner.

This interim, I charged your committees with jointly examining transportation funding concepts. As you work toward setting an agenda for these hearings, there are several issues that warrant special review:

1. Pass-Through Agreements: It has been reported that pass-through agreements are resulting in large windfalls to contractors and local governments. A thorough review should be conducted to ensure that the pass-through program reimbursements to contractors and local public entities are based on actual project costs and not cost estimates.

- To date, TxDOT has executed 17 pass-through agreements valued at \$1.5 billion. What is being done to ensure that current and future pass-through program reimbursements to local public entities are based on actual project costs and not cost estimates?
- Should TxDOT publically address cost-related details of the private agreements so that highways are built as economically as possible?

2. Congestion Mitigation: According to Comptroller Combs, the Texas Legislature will face major budget constraints in the next budget cycle. These constraints will force TxDOT to become even more aggressive in prioritizing necessary road construction projects and targeting financing to those segments that affect the largest number of Texans through congestion mitigation. In order to set a baseline and show progress in the current budget cycle toward this goal, the following questions should be addressed.

- Of the \$378.6 million redirected to Fund 6 last session, how much has been spent on addressing the State's most congested roadways?
- How much of the record-level funding between 2003 and 2009 has TxDOT spent on reducing congestion?
- How much of the FY 2010-2011 funding does TxDOT plan to spend in order to reduce congestion in areas with the worst traffic congestion?
- When will congestion be a primary factor when formulating the allocation of funds for highway construction projects?
- Which of the projects planned and funded from the SH 121 payment will reduce congestion on roadway segments listed on TxDOT's list of 100 most congestion roadways?
- How many of the Top 100 Congested Roadways can be addressed through the use of the State Infrastructure Bank?
- To what extent can Tax Increment Financing, or similar mechanisms, be used in congested areas to fund road construction?

3. Construction and Materials Cost Savings: Project reports from the past year are showing that construction costs and materials costs have fallen significantly, due in part to the slowing economy. For this reason, the following issues should be addressed to ensure that Texas receives the best value for its investment.

- In December 2009, reports indicated that all road work in recent months has fallen significantly short of TxDOT cost estimates. How much has TxDOT saved due to cost under runs?
- Commodity prices have also declined during this recession. How much has the lower cost of commodities saved TxDOT?
- What projects have been built with the savings and which of these projects reduce congestion?

I am hopeful that your committees will address many of Texas' growing transportation challenges, and I thank you for your time and careful consideration of these issues. I look forward to working with each of you during the interim and the 82nd Session to ensure that taxpayer dollars are maximized for the benefit of our state's transportation system.

Sincerely,



David Dewhurst
Lieutenant Governor

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cc: Chair Deirdre Delisi, Texas Transportation Commission
Commissioner Ned S. Holmes, Texas Transportation Commission
Commissioner Ted Houghton, Texas Transportation Commission
Commissioner William Meadows, Texas Transportation Commission
Commissioner Fred Underwood, Texas Transportation Commission
Mr. Amadeo Saenz Jr., Executive Director, Texas Department of Transportation
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